



Industrial Energy Consumers of America

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March 19, 2007

The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce

The Honorable Rick Boucher
Chairman
Subcommittee on Energy and Air Quality

Dear Mr. Chairman:

Thank you for the opportunity to respond to your February 27, 2007 letter requesting our views on the complex issues surrounding climate change policy. As you know, one of the greatest legislative accomplishments was the enactment of the Clean Air Act of 1990 which took ten years and passed overwhelmingly with bipartisan support. While its complexity is well noted, it pales in complexity to comprehensive climate change legislation. Much is at stake and we encourage you to take the time to do it right. Doing so will yield the greatest greenhouse gas (ghg) reductions at the lowest cost.

IECA is a non-profit cross-industry trade association dedicated to energy and environmental issues. Corporate board members are top energy and environmental managers who are leaders in their industry, technical experts and strongly committed to energy efficiency and environmental progress. Membership companies are from diverse industries which include: paper, steel, chemicals, plastics, food processing, industrial gases, cement, brewing, construction products, brick, aluminum, fertilizer, automotive products, pharmaceutical.

This paper reflects our initial thinking that may change as more data and options become available.

We encourage the Congress to focus on increasing supply of affordable low carbon intensive energy as it considers climate policy options. The US cannot seriously address climate change and reduce greenhouse gas emissions long term without increasing our supply of low carbon intensive energy. Neither carbon taxes nor cap and trade policy remove existing government or technology barriers that are preventing increased supply of low carbon energy. This approach is also the answer to allowing developing economies to grow without significantly contributing to greenhouse gas concentrations.

Increasing our supply of less carbon intensive energy is the only effective policy approach that guarantees greenhouse gas reductions with no economic downside.

Focusing on carbon constraints is much more difficult. Placing carbon constraints on the economy will have many direct and indirect impacts, some which will be impossible to predict. For the manufacturing sector, the risks are very high because we compete globally.

Countries do not play fair when it comes to trade. Countries subsidize their manufacturing industries in many different ways for purposes of job creation and trade currency. Energy is high on the list of subsidies. There is little doubt that these same countries will provide carbon allowance subsidies. Many of the EU countries do it today by buying carbon offsets through the Clean Development Mechanism and Joint Implementation programs. These global realities will make it difficult for Congress to take climate action without hurting the US economy and our manufacturing industries.

Even without the potential of new climate regulation, we are losing manufacturing jobs to places like China and India because of high US natural gas costs. From a climate perspective, we are shipping these good jobs to China and India and then we import the same products that we once produced here. The difference is that in places like China and India, these goods are produced using much more energy than we do in the United States.

The net effect is that our high cost of natural gas results in loss of good US manufacturing jobs and an increase in greenhouse gas emissions globally. We have lost 3.0 million manufacturing jobs since year 2000 and have failed to close that gap despite having had at least four years of robust economic growth. Historically, an increase in US GDP means an increase in manufacturing jobs.

If the Congress decides to regulate the greenhouse gas emissions of the manufacturing sector, it must simultaneously address the carbon emissions of imported products. To not do so subsidizes imports to the detriment of US industry.

Lastly, please be mindful that the manufacturing sector has already made significant emission reductions. The manufacturing sector has reduced its carbon dioxide emissions by 1 percent over the time period of 1990 to 2005 while all other sectors increased their carbon dioxide emissions. Carbon dioxide emissions increased from 1990 to 2005 as follows: residential + 31%; commercial +34%; transportation +25% and electric power +32%.

The performance of the manufacturing sector in reducing energy consumption and resulting ghg emissions is not new. We already have two price signals: energy prices and global competition. Energy is a significant cost of competing globally and every company either makes progress or fails to compete. This is one important reason that a less heavy regulatory hand is not needed. Manufacturers want to reduce energy consumption and it is to governments' advantage to work in partnership to continue this success, not impede it with regulations that may impact us directly or indirectly.

IECA Response to Your Questions

1. Please outline which issues should be addressed in the Committee's legislation, how you think they should be resolved, and your recommended timetable for Congressional consideration and enactment. For any policy recommendations, please address the impacts you believe the relevant policy would have on:

A.) IECA recommends that the Committee hold hearings to evaluate the US's fragile natural gas supply and its implications to the natural gas price that home owners, farmers and manufacturing consumers pay, and the impact to the economy, before Congress adds more demand pressure through climate legislation. Because of natural gas production constraints and import uncertainties from both Canada and LNG, climate legislation must not increase demand for natural gas until supply availability warrants it. Above all, climate legislation must not result in electric utility fuel switching from coal to natural gas in the short term. Existing legislation in states and Europe has increased demand for natural gas.

Historically, there is an absolute link between higher demand for natural gas due to federal and state legislation. The Clean Air Act increased demand for natural gas in its own right as a result of fuel switching from coal. The low sulfur fuels standard increased demand for hydrogen which is made from natural gas. The ethanol mandate is increasing demand for natural gas. Electric deregulation attempts resulted in higher demand for natural gas thru the proliferation of the independent power industry. Lastly, attempts thus far to legislate control of greenhouse gases at both the state and international level have resulted in higher demand for natural gas. For example, California's latest move for low carbon fuels encourages ethanol, hybrid vehicles (more electricity) and hydrogen cars – all of these technologies are dependent on natural gas for which the US is already short.

Energy Information Administration (EIA) data says that despite a increase in US natural gas well completions of 16 percent since 2000, production has fallen by five percent and the NYMEX monthly average closing prices have risen from \$3.88 to \$7.23 per mm Btu in 2006. Today, the NYMEX price is around \$7.00 while our European competitors are paying about 3.25 euros and China's price is an equivalent of around \$4.00. The US price for natural gas has, on average, been the highest price in the world since the natural gas crisis started in year 2000.

The high price of natural gas impacts home owners, farmers and manufacturers. Electric utilities can pass the high costs on to consumers. Manufacturers are hit twice, higher electricity rates and higher natural gas rates. These high energy prices impact competitiveness and are a major contributing factor in the decline of about 3.0 million manufacturing jobs. This trend will continue so long as US energy prices place manufacturers at a competitive disadvantage. Manufacturing demand for natural gas has fallen by 19 percent since year 2000 and most of this reduction is due to plant closures.

We strongly encourage the Congress to remove government barriers that prevent access to the large amounts of natural gas that is currently off limits to exploration. It is

important to act now because the amount of time necessary to lease, explore and produce from a new area offshore is about ten years. According to the Minerals Management Service there is about 1040 trillion cubic feet of natural gas just waiting to be discovered in the outer continental shelf. The annual US consumption is about 23 trillion cubic feet.

B.) IECA recommends the Committee hold hearings on the important relationship between the demand and price of natural gas and electricity pricing. The implications are significant and growing. As demand goes up for natural gas, and since natural gas fired generation is setting the marginal cost for electricity in a significant and growing portion of the electricity grid, prices for electricity will rise even faster in the future. IECA supports a moratorium on the construction of new natural gas fired power plants that do not meet combined heat and power efficiencies.

Over the last ten years, annual electric power demand for natural gas has increased by 1.6 trillion cubic feet while total domestic supply has fallen by .5 trillion cubic feet. This rising demand by the electric utility and independent power sector demand is having a significant impact of increasing natural gas prices for every home owner, farmer and manufacturer.

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C.) IECA recommends the Committee hold hearings on the accuracy of the EIA model that is used to determine the cost and effectiveness of climate legislation and the assumptions that it uses. IECA believes the EIA model lacks the capability to calculate the total impact of cap and trade type legislation on the "industrial sector" and thus the economy. Also, the EIA cost estimate of climate legislation uses faulty assumptions that are not plausible or credible. As a result, the cost forecast for any climate legislation is significantly understated and has a significant risk factor not adequately described by EIA. At minimum, the Congress should require the EIA to do a "high natural gas price" case for each climate legislation analysis.

At minimum, the Congress should require the EIA to do a "high natural gas price" case for each climate legislation analysis. What happens if an increase in domestic natural gas production or forecasted imports from Canada do not materialize? What happens to the price of natural gas if the Alaska Natural Gas Pipeline does not get built? What happens if only half the LNG forecasted for importation is actually imported? Or, the electric utility demand is higher than forecasted? This request is clearly in the public interest.

Congress must act to improve the Energy Information Administration's modeling capabilities such that it can more accurately forecast the impact of climate policy options to the economy and on the price sensitive industrial sector which it cannot do accurately today. The EIA economic analysis of any climate legislation greatly understates costs because:

- It does not anticipate that power producers will act immediately upon passage of the legislation, and in advance of any future starting date, by delaying or scrapping plans to build new coal fired power plants.

Delaying or scrapping these plants will force power producers to immediately begin building new natural gas fired power plants and to increase utilization of existing gas-fired plants. This will have an immediate impact of increasing natural gas prices for all consumers. Because natural gas fired power plants are used as the marginal power price setter, higher natural gas prices will simultaneously increase the price of electricity. These factors alone make EIA's assumptions and cost forecast inaccurate.

- EIA's projection for domestic natural gas production is overly optimistic.

The forecast assumes that the domestic production decline we have been experiencing so far this decade will reverse itself and production will increase over the next five years. IECA does not find the EIA forecast plausible. If EIA is wrong, the assumed natural gas prices will be much higher.

To make our point clear, please compare EIA's AEO 2002 versus AEO 2007 projected US natural gas production and imports from Canada. For year 2020 the EIA's forecast has dropped by 33 percent. The level of inaccuracies places manufacturing jobs at risk.

- EIA's projection for LNG imports is overly optimistic.

EIA's forecast shows significant increases in imports of LNG. We believe the risks are very high that projected imports will not occur. Just having the import capacity in place does not mean the LNG will be available or that the US will be able to purchase it. For example, only about 50 percent of US LNG import capacity was used in 2006 despite high US natural gas prices. There are many reasons for this that will continue to exist in the future but in short, countries such as China simply out bid the US for this supply. As a result, import projections of LNG are highly risky and the import assumptions challenge the credibility of the cost estimate of any EIA analysis.

The implications of whether we are able to attract LNG imports are very significant. A one trillion feet shortfall in anticipated LNG supplies would reduce industrial usage by 14 percent.

- The EIA model is a macro economic model that is incapable of accurately determining the economic impact and resulting job loss from high energy and greenhouse gas costs on the industrial sector.

This problem is unique to the industrial sector. During the five year natural gas crisis, the EIA did not forecast any part of the three million manufacturing jobs that were lost due to high natural gas prices or a decrease in industrial natural gas demand of 18 percent. The EIA model is not price sensitive to the varying cost “breakeven” levels in each major industrial sector. As the price of energy goes up, the EIA model cannot estimate at what price level the cost of energy gets expensive enough that a given manufacturer or industrial sector is no longer able to turn a profit and shuts down or moves their production facility overseas.

Because it cannot model the impact on the industrial sector and job loss, it understates the damage to the economy. Examples of costs that we believe are not unaccounted for are: costs associated with the shut down of manufacturing facilities; cost of unemployed workers (unemployment compensation; greater burden on government paid health care); loss of tax revenue to state and federal treasuries.

- The EIA has not modeled other costs associated with increasing the non-competitiveness of the industrial sector.

The current EIA model cannot put a price tag on the impact of: reduced investment in the US by the manufacturing sector; the national security value of manufacturing products in the US versus places like China; continued increases in the US trade imbalance; or the potential impact on the value of the US dollar?

- EIA uses an academic approach to their assumptions without sufficient real world considerations.

For example, EIA rightfully understands that natural gas remains the highest-cost source of power generation. To minimize the assumed cost of pending legislative proposals, therefore, EIA’s models assume the maximum availability and use of every non-natural gas energy resource to minimize the need to utilize natural gas. Just because the EIA makes the paper assumption it will happen this way, however, does not make it so. EIA also assumes that 35 years of stiff opposition to nuclear power will be reversed overnight, allowing more than a five-fold increase in nuclear capacity compared to the reference case by the year 2030 with virtually no delays. This assumption is another key factor causing it to understate the costs of climate legislation. Real world considerations say, however, that if these plants are built at all, they will likely take much longer than forecasted given the NIMBY issue and growing cost issues. More importantly, failure to build even a small number of EIA’s assumed new nuclear plants, however, will be enough to greatly increase dependence upon natural gas for electricity generation and dramatically increase EIA’s cost estimates of the climate legislation.

D.) IECA recommends the Committee hold hearings designed to identify the most cost effective greenhouse gas emission reductions that are of significant volumes and identify barriers.

We encourage the Committee to identify where most of the emissions are coming from and identify the most cost effective reductions. We must determine where we can get the most reductions for our dollars and prioritizing those areas. This will help the Congress in developing cost effective policy.

E.) IECA recommends the Committee hold hearings on an economy wide “sector approach” to reducing greenhouse gas emissions nationally versus a cap and trade program. A sector approach recognizes that not all sectors are equal in their ability to yield cost effective emission reductions or in the same time frames. A sector approach that tailors climate policies to a specific sector would result in greenhouse gas emission reductions with less market distortions within the energy supplying sector and the energy consuming sectors. A sector approach would give better consideration for significant differences between the various emitting sectors including: past performance of greenhouse gas reductions; cost of reductions within that sector; whether the sector has global competition or is domestic only; the readiness of technology that will allow that sector to reduce emissions cost effectively; and whether the sector is regulated or not. These are all significant differences. A sector approach also reduces the potential for unintended consequences of significant winners and losers or one sector subsidizing the other. Please note that the manufacturing sectors in Europe prefer a sector approach over the EU Emissions Trading Scheme. Japanese industry prefers it as well.

- There are many different approaches that can be considered in a sector approach. The preferred approach is greenhouse intensity per unit of output.
- A sector approach increases the potential that manufacturers will not be put in a non-competitive situation. The US manufacturing sector will be more disadvantaged by CO2 reduction requirements than other sectors because they compete globally and cannot easily pass through increased costs. Therefore, manufacturers will have both indirect (electricity, transportation, raw materials and services) and direct costs of compliance. We encourage the Congress to not pass climate policy that encourages manufacturing to leave the country.
- Past emission reductions differ greatly by sector.

In 1990, the manufacturing sector represented about 25 percent of US carbon dioxide emissions. In 2005, it was only 20 percent. Manufacturing reduced its carbon dioxide emissions by 1 percent over the time period of 1990 to 2005 while all other sectors increased their carbon dioxide emissions. Carbon dioxide emissions increased from 1990 to 2005 as follows: residential + 31%; commercial +34%; transportation +25% and electric power +32%.

The performance of the manufacturing sector is proof that this sector is a leader in energy and CO2 reduction. A leader – not a laggard. At the same time, because of the significant reductions that have already occurred, it is improbable that the rate of emission reduction can be maintained without tax incentives or new technology.

- Energy is used as both a fuel and feedstock in manufacturing.

An absolute emissions cap versus a reduction in greenhouse gas intensity of products produced is a significant challenge for the great majority of manufacturing companies. For example, it takes energy to produce products that save energy. Insulation is a good example. To increase production of insulation will require more energy in absolute amounts. The feedstock input should not be considered as a carbon emission.

- IECA encourages the Congress to be mindful that the various manufacturing sectors compete with each other and also with foreign competition. Examples of major manufacturing sectors include: chemical, steel, aluminum, cement and paper. Climate policy should avoid creating competitive advantage of one manufacturing sector over another. For example, plastics, steel and aluminum all compete to sell their products into the automotive industry. The paper, plastics, steel and aluminum all compete for food packaging. Lastly, as an example, a policy that encourages use of biomass could result in the loss of the paper industry's feedstock.

F.) As Congress weighs placing a carbon limit on the manufacturing sector, it will need to address the carbon intensity of imported products. Our concern is that not doing so would subsidize imports.

G.) IECA encourages the Committee to evaluate how trade policy can be used to encourage countries like China and India to reduce their greenhouse gas intensity. Our leverage is that they want access to our markets. Heretofore, that access has resulted in a significant increase in greenhouse gas emissions. We have driven 3.0 million manufacturing jobs offshore and then we import the same products that were once produced in the United States. We must explore policies that “border adjust” imported products and is smart policy for world markets.

(a) emissions of greenhouse gases and the rate and consequences of climate change; and

The greatest reduction of greenhouse gas emissions will come from addressing how needs are met versus the products that we manufacture. Why we travel will have more impact than how we travel. Why one investment is preferred over another with different long term emission consequences. Congress should look at the regulations and incentives it currently has in place that influence these decisions before trying to micro manage the function of the market which

currently does a good job of continually improving the efficiency of all inputs, capital, labor and raw materials to meet society's needs.

(b) the effects on the U.S. economy, consumer prices and jobs.

As mentioned above all existing climate change legislation has created additional demand for natural gas. In most of the U.S. natural gas determines the marginal cost of electricity and consumers are already being hit with large price increases for electricity due to constraints on natural gas supply. Manufacturers cannot compete with utilities for available natural gas. This competition has and will continue to close U.S. manufacturing facilities as utilities find their only option to reduce ghg's is to use more natural gas. Both natural gas and electricity prices will continue to rise for all consumers with poorly timed climate change legislation.

The use of a safety valve has been proposed to limit economic risk to the economy. The safety valve will likely be beneficial to consumers, but the safety valve will provide no relief to sections of the economy dependent on resources which are limited in supply like natural gas. The safety valve will not provide any relief from higher natural gas and electricity prices, which could be substantial. The net result of these proposed policies will be to increase our import of products which require natural gas or other energy inputs to produce. Much like the case of refinery products the U.S. will be putting itself in a position which will require ever greater imports. Taking this approach to address climate change would appear to be opposing our country's desire to improve its energy independence.

2. One particular policy option that has received a substantial amount of attention and analysis is "cap-and-trade." Please answer the following questions regarding the potential enactment of a cap-and-trade policy:

Prior use of cap and trade in the U.S. has been restricted to a single industry where participants had a common set of costs and very similar competitive situations. The utility industry where the SO₂ program was viewed as a success also produces a product with a very low opportunity for substitution. Expanding cap and trade to other industries with different cost structures, different forms of competition both from other products and other regions, different benefits to employees and communities will be a much different dynamic than can be extrapolated from earlier programs. Because of this difference we would recommend that if cap and trade is used it not be applied in a manner where all of the economy is placed in a common pool.

a. Which sectors should it cover? Should some sectors be phased-in over time?

As stated above applying one cap and trade program over the variety of industries within our economy is a grand and risky experiment. Prior experience with cap and trade has not given us sufficient knowledge to predict the result of such an undertaking. While we believe that consumer recognition of the costs associated with their decisions is important for the market to respond, Congress will need to

weigh how best to balance creating a system which is both effective and fair. Phasing in any cap and trade program is likely prudent versus throwing everyone into the mix from the beginning.

- b. To what degree should the details be set in statute by Congress or delegated to another entity?*

The details of any cap and trade program would be very difficult to have Congress work through but it is too important to delegate to a regulatory agency. This is one reason of many that we encourage the Congress to address climate policy on a sector by sector basis over time. This is too important to rush and do it wrong.

- c. Should the program's requirements be imposed upstream, downstream, or some combination thereof?*

Consumers need to be aware of how their decisions influence their costs if the market is to be responsive to climate change legislation. However the closer to the consumer you put any program the more complicated it becomes. Also, in the short run, it will create more opportunity to sub-optimize decisions because the full life cycle relating to ghg emissions will be difficult for the end consumer to evaluate. For instance, what was the capital and labor trade-offs built into his product choice? How much of the product was imported and were the imbedded ghg emissions reflected in the price of the item? This becomes an impossible question to answer because cap and trade is the wrong approach when you move away from controlling an extraneous emission like SO₂ and try to use it on the desired by-product of energy generation.

- d. How should allowances be allocated? By whom? What percentage of the allowances, if any, should be auctioned? Should non-emitting sources, such as nuclear plants, be given allowances?*

Allowances based on past emissions are preferred to auctioning. Manufacturing would be damaged under a system of auctioning. Auctioning allowances would be a tremendous cost to existing industries and is not built into the different domestic and foreign competitive markets where various industries operate. Over time industries that operate in competitive markets will need to cut costs to compete for carbon allowances with industries that have lower cost structures or who are regulated and can automatically pass thru the cost of allowances. If allowances are auctioned it would be prudent to allow time for different industries to adjust.

If the cap on emissions is set to reduce ghg emissions it will be very hard to find allocations for either new emitters or non-emitting sources. Either extra allowances are created and the value of the allowance falls and the program has diminished results or they are taken away from existing emitters resulting in

higher prices, accelerated closure of U.S. manufacturing, and increased dependence on imports.

e. How should the cap be set (e.g., tons of greenhouse gases emitted, CO2 intensity)?

A CO2 intensity measurement is better for improving the efficiency of how we make individual products. An absolute cap will drive energy intensive and lower margin industries out of our country because they will not be able to compete with entities or businesses like utilities which can pass all of their costs on to their customers. The country will need to increase availability of products that increase our energy efficiency, like insulation. Do we want a cap that allows production of insulation to grow in the U.S. or do we want to increase our imports of these products?

f. How should the cap be set for different years?

g. Which greenhouse gases should be covered?

IECA encourages the regulation of non-CO2 and non-methane emissions as a good first step. Non-CO2 and non-methane ghg emissions are not "energy related" and are simpler to address and have less indirect unintended consequences. One could argue that the ghg's other than CO2 can be addressed more like SO2 than can CO2 itself. While CO2 is the dominant ghg, more near term results may be available by addressing the other ghg's first. Much could be learned from a program covering the other ghg's without the tremendous ramifications that result from CO2 which is tied to energy availability. Taking the time to build and implement a non-CO2 program would allow for more development of lower carbon containing energy sources.

h. Should early reductions be credited? If so, what criteria should be used to determine what is an early reduction?

i. Should the program employ a safety valve? If so, at what level?

The safety valve will likely be beneficial to consumers, but the safety valve will provide no relief to sections of the economy dependent on resources which are limited in supply like natural gas. For manufacturing, the safety value will not provide any relief from higher natural gas and electricity prices, which could be substantial. Safety valves limit the cost to consumers but do not minimize the risk to industries that depend on the availability of inputs whose demand is increased by the program.

j. Should offsets be allowed? If so, what types of offsets? What criteria should govern the types of offsets that would be allowed?

- k. *If an auction or a safety valve is used, what should be done with the revenue from those features?*

Consider investment tax credits for projects which improve energy efficiency.

- l. *Are there special features that should be added to encourage technological development?*

Time and knowledge.

- m. *Are there design features that would encourage high-emitting developing countries to agree to limits on their greenhouse gas emissions?*

Access to our markets is the only leverage we have to getting such countries to reduce the ghg intensity of their products. Imports of manufactured products would be required to meet the same ghg intensity as domestic products. Imported products would require a border adjustment.

3. *How well do you believe the existing authorities permitting or compelling voluntary or mandatory actions are functioning? What lessons do you think can be learned from existing voluntary or mandatory programs?*

The change in the price of energy has resulted in the manufacturing industry making significant improvements in energy efficiency and therefore reducing CO2 emissions. The magnitude of the energy price changes has been large compared to the costs projected for climate change legislation. This calls to question if any cap and trade program with a reasonable safety valve can be effective. If we are to spur greater changes than those already occurring in the marketplace, the value of allowances may need to be much higher than projected. It may be that a cap and trade program has larger political results than it has on lowering ghg emissions. Most of the programs to date have set goals, but few have achieved them. The current path taken by the U.S. on voluntary commitments coupled with attempting to accelerate technological improvements appears to be more effective than any of the other approaches taken in either the states or internationally.

4. *How should potential mandatory domestic requirements be integrated with future obligations the United States may assume under the 1992 United Nations Framework Convention on Climate Change? In particular, how should any U.S. domestic regime be timed relative to any international obligations? Should adoption of mandatory domestic requirements be conditioned upon assumption of specific responsibilities by developing nations?*

5. *What, if any, steps have your organization's members or its individual members taken to reduce their greenhouse gas emissions? Which of these have been voluntary in nature? If any actions have been taken in response to mandatory requirements, please explain which authority (State, Federal, or international) compelled them?*

The manufacturing sector has reduced its carbon dioxide emissions by 1 percent over the time period of 1990 to 2005 while all other sectors increased their carbon dioxide emissions. Carbon dioxide emissions increased from 1990 to 2005 as follows: residential + 31%; commercial +34%; transportation +25% and electric power +32%.


The performance of the manufacturing sector in reducing energy consumption and resulting ghg emissions is not new. We already have two price signals: energy prices and global competition. Energy is a significant cost of competing globally and every company either makes progress or fails to compete. This is one important reason that a less heavy regulatory hand is not needed. Manufacturers want to reduce energy consumption and it is to governments' advantage to work in partnership to continue this success, not impede it with regulations that may impact us directly or indirectly.

IECA worries that depending upon the type and timing of mandatory climate policy that Congress considers, that it may disrupt capital investment in the US on energy efficiency projects or building of new plants because of various new regulatory uncertainties.

For example: Will allowances be available for growth? What will they cost in future years? Will some US manufacturing companies have access to free carbon allowances while some must pay? Will foreign competition have access to free allowances? What impact will regulating carbon have on the price of natural gas, coal, and electricity? When in doubt, capital spending will either not happen or will be shifted to locations around the world to governments that provide greater regulatory certainties.

In behalf of the Industrial Energy Consumers of America, thank you for the opportunity to provide input. We look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul N. Cicio". The signature is stylized with a large, looping initial "P" and a cursive "Cicio".

Paul N. Cicio
President

cc:

The Honorable Joe Barton, Ranking Member
The Honorable J. Dennis Hastert, Ranking Member
The Honorable Jeff Bingaman
The Honorable Arlen Specter